

1995

IDAHO FIDUCIARY INCOME TAX RETURN AND INSTRUCTIONS

- ☐ **FORM 66**
- ☐ **FORM 41E**

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FOR INFORMATION CONTACT THE OFFICE IN YOUR AREA:

BOISE	COEUR D'ALENE	IDAHO FALLS	LEWISTON	POCATELLO	TWIN FALLS
800 PARK BLVD PLAZA IV (208) 334-7660	1910 NORTHWEST BLVD SUITE 100 (208) 769-1500	150 SHOUP AVE SUITE 16 (208) 525-7116	1118 "F" STREET (208) 799-3491	611 WILSON AVE (208) 236-6244	1038 BLUE LAKES BLVD N SUITE C (208) 736-3040

TOLL-FREE 1-800-972-7660 FROM WA, OR, UT AND ID
HEARING IMPAIRED CALLERS (TDD) 1-800-377-3529

GENERAL INFORMATION

WHO MUST FILE FORM 66

A fiduciary (guardian, trustee, executor, administrator, receiver, conservator, or any person acting in a position of trust or fiduciary capacity for any other person or group of persons) must file an Idaho income tax return on Form 66 for:

- A resident estate with gross income (as defined in Section 61(a) of the Internal Revenue Code) of \$600 or more for the current tax year;
- A nonresident estate with gross income (as defined in Section 61(a) of the Internal Revenue Code) from Idaho sources of \$600 or more for the current tax year;
- A resident trust with gross income (as defined in Section 61(a) of the Internal Revenue Code) of \$100 or more for the current tax year;
- A nonresident trust with gross income (as defined in Section 61(a) of the Internal Revenue Code) from Idaho sources of \$100 or more for the current tax year; or
- An estate of a resident individual involved in bankruptcy proceedings under chapter 7 or 11 of Title 11 of the U.S. Bankruptcy Code with gross income (as defined in Section 61(a) of the Internal Revenue Code) of \$3,300 or more.

RESIDENCY OF ESTATES

An estate will be treated as a resident if the fiduciary of the estate is appointed by an Idaho court or the estate is administered in Idaho. An estate will be treated as a nonresident if the fiduciary of the estate is appointed by a court outside of Idaho and the estate is administered in another state. The nonresident estate will report income earned from Idaho sources in the same manner as though the taxpayer was a nonresident individual.

RESIDENCY OF TRUSTS

A trust will be treated as a resident if a majority of the following occur in Idaho:

- Domicile or residency of the grantor;
- Creation of the trust;
- Existence of trust property;
- Domicile or residency of the trustees; or
- Administration of the trust. Administration of the trust includes conducting trust business, investing assets, making policy decisions, record-keeping, or filing of tax returns.

A nonresident trust with income earned from Idaho sources must report such income to Idaho in the same manner as though the taxpayer was a nonresident individual. No distinction is made between living trusts (created by the grantor and funded during his lifetime) and testamentary trusts (becoming operative upon the death of the grantor).

OTHER RETURNS WHICH MAY BE REQUIRED OF FIDUCIARIES

An Idaho individual income tax return, Form 40 or Form 43, may be required for the last tax year of a decedent or for a beneficiary of a guardianship trust or estate. Refer to the Idaho Individual Income Tax booklet for filing requirements.

HOW TO FILE

A complete copy of the federal income tax return must be attached to the Idaho income tax return. All Schedules K-1 must be attached to the return or submitted with the return on microfiche. Failure to attach a complete copy of the federal return may cause the return to be delinquent.

The return must be signed by the fiduciary or officer representing the fiduciary.

Money items on the return may be rounded to whole dollar amounts.

WHERE TO FILE

Mail the return and payment to:

IDAHO STATE TAX COMMISSION
PO BOX 56
BOISE ID 83756-0201

DUE DATE OF RETURN

Your return is due on or before the 15th day of the fourth month following the close of your tax year. For a calendar year filer, this is April 15. If the last day for filing a return falls on a Saturday, Sunday or legal holiday, the return is timely if it is filed on the next day which is not a Saturday, Sunday, or legal holiday.

EXTENSION OF TIME TO FILE

If you cannot file your return by the due date, you must file for an extension of time on Form 41E. The extension must be filed on or before the due date of the tax return. Payment of the estimated tax due must accompany the extension. The extension is for six months. No further extension is allowed. You will receive notice only if the extension is denied. The return may be filed at any time before the extension expires.

Form 41E is only an extension of time to file the return. There is no extension of time to pay the tax owed. For the extension to be valid, it must include at least 80% of the tax due or 100% of the total tax reported on the immediately preceding year's tax return, if a return was filed for that year. Interest is charged on any unpaid tax from the due date until the tax is paid. If the request for extension of time does not have sufficient payment attached, a 5% penalty will apply to any tax due. The minimum penalty is \$10.

ELECTRONIC FUNDS TRANSFERS

Tax payments of \$100,000 or more must be paid by electronic funds transfer. If you are making an electronic funds transfer for the first time, contact Taxpayer Services at (208) 334-7660 for further information.

PAYMENTS

Make your check or money order payable to the Idaho State Tax Commission and attach it to the tax return.

PERMANENT BUILDING FUND TAX

An estate or trust required to file an Idaho income tax return must pay the \$10 permanent building fund tax. If all the income has been distributed to beneficiaries who will report the income and pay the permanent building fund tax, the estate or trust reporting the distribution does not pay this tax.

A fiduciary is required to pay the permanent building fund tax for each nonresident beneficiary who meets the Idaho filing requirement but does not report his distributable income on an Idaho income tax return.

PENALTIES AND INTEREST

Penalties may be imposed on the tax due as follows:

- 5% for negligence or disregard of rules
- 5% per month or fraction of a month to a maximum of 25% for failure to pay the tax due
- 50% for filing a false or fraudulent return
- 10% for substantial understatement of tax

The minimum penalty is \$10.

Interest applies on delinquent tax from the due date of the return until the tax is paid at the rate of 8% per year (rate effective 1-1-96 to 12-31-96).

PERIOD/TAX YEAR COVERED BY RETURN

Use the 1995 form to file your tax return for calendar year 1995 or the fiscal year beginning in 1995.

GENERAL INFORMATION

ACCOUNTING PERIOD

You must use the same accounting period as that used for federal tax purposes. A change to the annual accounting period must have prior approval from the Internal Revenue Service. Attach a copy of the federal approval on Form 1128, Application to Adopt, Change, or Retain a Tax Year, to your return.

ACCOUNTING METHODS

You must use the same accounting method as that used for federal tax purposes. A change of accounting method must have prior approval from the Internal Revenue Service. Attach a copy of the federal approval on Form 3115, Application for Change in Accounting Method, to your return.

AMENDED RETURNS

If you discover an error on your return after it is filed, do not file the same form again. Use a Form 41X, Amended Business Income Tax Return, to make the necessary corrections. If you amend your federal return, an amended Idaho income tax return must be filed. The statute of limitations for receiving a refund is three years from the due date of the return or the date the return was filed, whichever is later.

FEDERAL AUDIT

If your federal taxable income or tax credits change because of a federal audit, you must send written notice to the Idaho State

Tax Commission within 60 days of the final federal determination. You must include copies of all schedules supplied by the Internal Revenue Service. If you owe additional Idaho tax and do not send written notice within 60 days, a 5% negligence penalty will be imposed. If the final federal determination results in an Idaho refund and the statute of limitations is closed, you have one year from the date of the final determination to file for the refund.

NET OPERATING LOSSES

A fiduciary incurs an Idaho net operating loss in a year when its Idaho taxable income is less than zero. Net operating losses incurred in activities not taxable by Idaho may not be subtracted.

The net operating loss generally must be carried back to the three preceding years. The carryback is limited to a maximum of \$100,000. Any remaining loss may be carried forward until used, but no longer than 15 years.

The fiduciary can elect to forego the carryback provisions and carry the loss forward up to 15 years. This election must be made before the due date, including extensions, of the loss year return. To make the election, attach a statement to the loss year return identifying the fiduciary's name, address, employer identification number, the amount of the net operating loss, and a statement that the fiduciary is electing to forego the carryback provision.

1995 LAW CHANGES

House Bill 162 expands the deduction for donations of technological equipment made to educational institutions located in Idaho to include donations to public and private universities, colleges, community colleges, and technical colleges.

House Bill 216 changes the computation of the investment tax credit by allowing property that is replacement property to qualify for the credit assuming it otherwise qualifies. The credit claimed

against the taxpayer's income tax is limited to 45% of the tax. The carryover has been extended to 7 years for investments made after 1989. The investment of all property used in and outside Idaho is determined using one of the following methods: the percentage of the property's use in Idaho or the portion of the cost of the property attributed to Idaho in the property factor numerator.

FORM 66 SPECIFIC INSTRUCTIONS

Instructions are for lines not fully explained on the form.
General information instructions beginning on page 1 also apply to this form.

HEADING

File the 1995 return for calendar year 1995 or a fiscal year that begins in 1995. For a fiscal year, fill in the tax year space at the top of the form.

If you received a preaddressed label that is in error, correct the label and place it over the name and address area of the return. If you did not receive a preaddressed label, type or print the estate/trust name, fiduciary name and title, address, and federal employer identification number in the space provided.

LINE 3 DIVIDENDS AND INTEREST INCOME

Enter dividends and interest. Identify by source and amount on Schedule 1, page 2.

LINE 8 ORDINARY GAIN OR (LOSS)

From federal Form 4797 enter the gain or (loss) from the sale or exchange of property other than capital assets and involuntary conversions. Attach federal Form 4797.

LINE 9 OTHER INCOME

Enter other income not reported elsewhere. Identify by source and amount on Schedule 1, page 2.

LINE 11 INTEREST

Enter any deductible interest paid or accrued that is not deducted elsewhere.

LINE 12 TAXES

Enter any deductible taxes paid or accrued that are not deducted elsewhere. Any state income taxes included on this line and not distributed will be added back on line 19.

LINE 13 ADMINISTRATIVE COSTS

Enter administrative costs, including fiduciary fees, deductible in arriving at federal adjusted income.

LINE 18 INTEREST AND DIVIDENDS NOT TAXABLE UNDER FEDERAL CODE

Enter the interest and dividends net of applicable amortization received or accrued from obligations of any state or political subdivision excluded from federal taxable income under the provisions of the Internal Revenue Code. Attach a schedule.

LINE 19 STATE INCOME TAXES

Enter the amount of state income taxes deducted on line 12 which are not distributed. The fiduciary must provide the beneficiary with the necessary information if a portion of the state income tax deduction was distributed and not included on this line.

LINE 21 INCOME EXEMPT FROM IDAHO TAX

Enter the amount of interest income received from obligations of the U.S. Government (U.S. Savings Bonds, etc.) not distributed. Expenses related to the production of this income will reduce the amount you enter here. In addition, this amount should be adjusted to reflect the estate tax deduction on line 24

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attributed to income exempt from Idaho tax. The fiduciary must provide the beneficiary with the necessary information if a portion of this adjustment was distributed. Attach a schedule showing your computations.

LINE 23 INCOME DISTRIBUTION DEDUCTION

Enter the amount of the deduction for distributions to beneficiaries who file Idaho returns. Trusts and estates are subject to tax on payments or distributions to nonresident beneficiaries who are required to file Idaho returns but fail to report or fail to pay tax on such income to Idaho. You may also deduct the amounts distributed to beneficiaries who have insufficient gross income to meet the Idaho filing requirements.

LINE 24 ESTATE TAX DEDUCTION

Enter the deduction for federal estate tax attributable to income in respect of a decedent. If the income in question has been distributed, only the fiduciary's pro rata share may be deducted. Refer to the instructions, federal Form 1041. If any or all of the estate tax is attributed to income which is exempt from Idaho tax, a special Idaho adjustment must be made to add back a pro rata share of the deduction. Attach a schedule showing the computation.

EXEMPTION: If all income is reported to Idaho, skip lines 26 through 29 and enter 100% of the federal exemption on line 30. If only part of the income is reported to Idaho, complete lines 26 through 29. Multiply the exemption on line 27 by the percentage on line 29. Subtract line 30 from line 25 to determine net Idaho taxable income on line 31.

LINE 26 FEDERAL TAXABLE INCOME

Make the adjustments listed on lines 18 through 21 to federal taxable income. These Idaho adjustments must be made to compute the proper percentage.

LINE 27 FEDERAL EXEMPTION

Enter the same exemption amount you used on your federal return. A decedent's estate is allowed a \$600 exemption. A trust required to distribute all its income in the current year is allowed a \$300 exemption. All other trusts are allowed a \$100 exemption.

TAX CREDITS

Tax credits must be computed according to the following instructions and the instructions accompanying the appropriate forms. Credits pass through to beneficiaries in the same manner that income and expenses are distributed.

The limitations on the various credits will be computed based on the fiduciary's share of the credit only. The beneficiary's limitation of the various credits will be computed on the beneficiary's return based on his share of the credit and his tax liability.

LINE 35 CREDIT FOR CONTRIBUTIONS TO EDUCATIONAL ENTITIES

If the estate or trust donated cash or goods to a qualified educational entity, it may claim one-half of the amount as a tax credit. The credit is limited to the lesser of:

- 20% of the tax on line 33, or
- \$50

A qualified educational entity includes:

- a nonprofit corporation, fund, foundation, trust, or association organized and operated exclusively for the benefit of Idaho colleges and universities
- a nonprofit, private or public school (elementary, secondary or higher education) or its foundation
- Idaho education public broadcast system foundations
- the Idaho State Historical Society or its foundation
- an Idaho public library or its foundation
- an Idaho library district or its foundation
- an Idaho public or private nonprofit museum

LINE 36 ETHANOL ALCOHOL PRODUCTION CREDIT

If you manufacture ethanol alcohol for use as a blend in producing gasohol, a tax credit is allowed based on the value of personal property or improvements used or constructed for this purpose. Attach Form 25.

LINE 37 IDAHO INVESTMENT TAX CREDIT

If you acquire an asset for use in your business, you may have earned an investment tax credit.

The Idaho investment tax credit earned by an estate or trust will pass through to each beneficiary in the same ratio that income is allocable to that beneficiary. When an estate or trust has a fiscal year end other than that of the beneficiaries, the investment tax credit will pass through in the same tax period that the income or loss from the estate or trust is required to be reported by the beneficiary for federal tax purposes.

The fiduciary must prepare and distribute to each beneficiary a schedule which shows all Idaho income, deductions and tax credits which must be reported on the beneficiaries' individual Idaho income tax returns. Each beneficiary will use this information to determine the amount of Idaho investment tax credit, recapture of credit, and adjustments to the credit carryover to be reported on his Idaho income tax return. Copies of these schedules and Form 49 must be attached to the Idaho Fiduciary Income Tax Return for the year in which the investment tax credit is earned.

Use Form 49 to compute the current year's credit or to claim unused carryovers. Attach Form 49.

LINE 38 CREDIT FOR CONTRIBUTIONS TO YOUTH AND REHABILITATION FACILITIES

If the estate or trust donated cash or goods to a qualified youth or rehabilitation facility, it may claim one-half of the amount as a tax credit. The credit is limited to the lesser of:

- 20% of the tax on line 33, or
- \$100

The following are qualified youth or rehabilitation facilities:

- Anchor House
- The Arc, Inc., Boise
- Dawn Enterprises, Inc., Blackfoot
- Development Workshop, Inc., Idaho Falls
- High Reachers, Inc., Mountain Home
- Idaho Elks Rehabilitation Hospital, Inc., Boise
- Idaho Youth Ranch
- Magic Valley Rehabilitation Services, Inc., Twin Falls
- New Day Products, Inc., Pocatello
- Northwest (North Idaho) Children's Home
- Opportunities Unlimited, Inc., Lewiston
- Panhandle Special Needs, Inc., Sandpoint
- Transitional Employment Services for the Handicapped, Coeur d'Alene
- Western Idaho Training Co., Inc., Caldwell
- Winchester Occupational Workshop, Winchester

LINE 39 IDAHO NEW JOBS CREDIT

Idaho allows a credit for qualifying new employees of a trust or estate involved in one of the following:

- producing, assembling, fabricating, manufacturing, or processing any agricultural, mineral, or manufactured product;
- storing, warehousing, distributing, or selling at wholesale any products of agriculture, mining, or manufacturing;
- feeding livestock at a feedlot; or
- operating laboratories or other facilities for scientific, agricultural, animal husbandry, or industrial research, development, or testing.

Limitations may apply. Attach Form 55.

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LINE 40 CREDIT FOR PRODUCTION EQUIPMENT USING POST-CONSUMER WASTE

If a trust or estate purchased equipment that manufactures a product from post-consumer or post-industrial waste, it may be entitled to a tax credit. The credit is earned the year that 90% of the production of the equipment is used to produce products utilizing post-consumer or post-industrial waste.

The credit is 20% of the cost to purchase the equipment. The credit is limited to \$30,000 per tax year. If the credit exceeds your income tax liability, the credit may be carried forward against income tax liabilities for up to seven years.

Product means any material resulting from a manufacturing process and offered for sale which is composed of at least 50% post-consumer or post-industrial waste. Product does not include shredded material unless it is incorporated directly into the manufacturing process.

Post-consumer waste or post-industrial waste means only products and material consisting of glass, paper, or plastic which have been, or would have been, disposed of as solid waste. It does not include radioactive or hazardous waste.

Qualified equipment is machinery or equipment located in Idaho with a useful life of three years or more. At least 90% of the equipment's production must result in manufactured products utilizing post-consumer or post-industrial waste.

Attach a schedule showing your computations, listing the qualifying equipment, identifying the post-consumer or post-industrial waste products, and identifying the newly manufactured products.

LINE 43 PERMANENT BUILDING FUND TAX

A trust or estate that meets the Idaho filing requirement and does not distribute all its income is required to pay the \$10 permanent building fund tax. A trust or estate is also required to pay the permanent building fund tax for each nonresident beneficiary who meets the Idaho filing requirement but does not report his distributive share of income on an Idaho income tax return. If all the income has been distributed to beneficiaries who file Idaho income tax returns, the trust or estate does not owe this tax.

LINE 44 SPECIAL FUELS TAX DUE

If you buy special fuels (diesel, propane, natural gas) without paying the special fuels tax and later use this fuel in licensed vehicles or in aircraft, special fuels tax is due. Enter the amount from line 18, Form 75. Attach Form 75.

LINE 45 RECAPTURE OF IDAHO INVESTMENT TAX CREDIT

If you have claimed an investment tax credit on property that ceases to qualify before the end of its estimated useful life, you must recompute the investment tax credit. The difference between the original credit and the recomputed credit must be recaptured. Attach Form 49R.

LINE 47 ESTIMATED TAX PAID

Enter the amount of payment(s) made with Form 41E, Application for a Six-Month Extension to File Idaho Business Income Tax Return.

LINE 48 IDAHO INCOME TAX WITHHELD

Enter the amount of Idaho income tax withheld and not repaid by an employer on wages and salaries of a decedent's estate. Attach state copies of W-2s.

LINE 49 SPECIAL FUELS TAX REFUND

The special fuels (diesel, propane, natural gas) tax refund is available to those who use the fuel for heating or in off-highway equipment and have paid the tax on the special fuels purchased. Enter the amount from line 9, Form 75. Attach Form 75.

LINE 50 GASOLINE TAX REFUND

The gasoline tax refund is available to those who buy and use gasoline in off-highway equipment or auxiliary engines. Enter the amount from line 8, Form 75. Attach Form 75.

LINE 53 PENALTY AND INTEREST

Penalty: If the trust or estate files a return or makes payment of tax after the due date, a 5% penalty for each month (or fraction of a month), up to a maximum of 25%, will apply to the tax after the due date. If the trust or estate received an extension of time to file its return and did not include a payment of at least 80% of the tax due or 100% of the total tax reported last year, a 5% penalty will apply to the tax due. The minimum penalty is \$10.

Interest: Interest is charged on the tax, line 52, from the due date until paid. The rate for 1996 is 8%.

SCHEDULE 1 EXPLANATION OF INCOME AND DEDUCTION

Provide explanations of income and deductions as required. Attach additional schedules if needed.

A deduction for technological equipment donated to an Idaho public school is not allowable in computing the fiduciary's taxable income. Any qualifying donations must pass through to the beneficiaries to be deducted on their individual income tax returns.

SCHEDULE 2 COMPUTATION OF CREDIT FOR TAXES PAID ANOTHER STATE

Residents use this section to compute the allowable credit for income taxes paid to another state. If taxes were paid to more than one state, compute the allowable credit for each state separately. A copy of the other state's income tax return must be attached to the Idaho return when claiming this credit.

TAX COMPUTATION SCHEDULE

IF AMOUNT ON LINE 32 IS OVER BUT NOT OVER

ENTER ON LINE 33

-0-	\$ 1,000	2% of the amount on line 32
\$ 1,000	\$ 2,000	\$20 plus 4% of excess over \$ 1,000
\$ 2,000	\$ 3,000	\$60 plus 4.5% of excess over \$ 2,000
\$ 3,000	\$ 4,000	\$105 plus 5.5% of excess over \$ 3,000
\$ 4,000	\$ 5,000	\$160 plus 6.5% of excess over \$ 4,000
\$ 5,000	\$ 7,500	\$225 plus 7.5% of excess over \$ 5,000
\$ 7,500	\$20,000	\$412.50 plus 7.8% of excess over \$ 7,500
\$20,000		\$1,387.50 plus 8.2% of excess over \$20,000